

**CITY OF MOUNTAIN VIEW  
MEMORANDUM**

DATE: December 3, 2004

TO: City Council

FROM: Elaine Costello, Community Development Director  
Whitney McNair, Planning Manager  
Aarti Shrivastava, Principal Planner  
Jessica von Borck, Senior Planner

SUBJECT: DECEMBER 7, 2004 STUDY SESSION – CONVERSION OF INDUSTRIAL  
LAND TO RESIDENTIAL USES

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**PURPOSE**

The City has received several inquiries from interested parties regarding the potential of converting existing industrial and commercially zoned land in the City to residential use. On August 31, 2004, the City Council directed staff to investigate such conversions and possible options to address them for discussion at a study session. This report responds to that request. In addition, staff would like to receive feedback from the Council regarding how to address and/or evaluate future conversion requests.

**BACKGROUND**

**Recent Inquiries**

This year the City has received a number of inquiries regarding additional industrial and commercial sites for conversion to residential use. The following table lists the sites with information on land area and existing zoning (see Attachment 1 for a map indicating the location of the sites).

### Recent Inquiries for Conversion

Project Site	Site Area	Current Zoning
1. 364 Ferguson Drive (Webex Inc.)	8.97 acres	Whisman Station Precise Plan (ML – Light Industrial)
2. 100 Ferguson Drive (General Dynamics)	9.22 acres	Whisman Station Precise Plan (ML – Light Industrial)
3. Area bounded by Ravendale Avenue, East Middlefield Road and Central Expressway	76 acres approximately	ML – Light Industrial
4. 615 National Avenue	1.26 acres	ML – Light Industrial
5. 247 North Whisman Road (Francia property)	10.28 acres	A – Agriculture
6. 111 Ferry-Morse Way	17.5 acres	111 Ferry-Morse Way Precise Plan (ML – Light Industrial)
7. The industrial area along Polaris Avenue and Wentworth Drive (northwest of Shoreline Boulevard and Central Expressway)	7.52 acres	ML – Light Industrial
8. Eastern portion of the Villa-Mariposa Precise Plan	11.5 acres approximately	General Plan Land Use – Industrial Park  Zoning – Villa-Mariposa Precise Plan (Residential/nonresidential/mixed use and allows current industrial use)
9. 485-495 Clyde Avenue	3.72 acres	ML – Light Industrial
<b>TOTAL</b>	145.97 acres	

The requests are located not only in the City's older industrial areas (East Evelyn Avenue) but also in the City's prime industrial areas (Whisman Road and Ellis Street). A number of these sites do not appear to have characteristics favorable to housing, such

as proximity to transit, schools, parks, shopping or existing residential areas, and may have environmental issues related to their previous industrial use.

For the purposes of this report and as per the direction of City Council, staff has mainly focused on industrially zoned properties. However, housing developers have also expressed interest in two major commercial areas: San Antonio Center and the Grant Road area. The City has already several areas that allow a mix of office, retail and residential uses in CRA (Commercial-Residential-Arterial) zones along El Camino Real and portions of San Antonio Road and in the downtown. The City has had a number of successful mixed-use developments in these areas such as Park Place in downtown, Two Worlds and 399 El Camino Real. However, none of the recent requests are in these areas, but in the City's ML (Limited Industrial) zones that are primarily reserved for office and R&D uses. Here there are more serious issues related to compatibility of residential uses. Given the number and scale of these applications, it may be more appropriate for the City to conduct a comprehensive review of the City's General Plan Land Use Element instead of assessing these applications on a case-by-case basis. The conversion of "commercial" (retail, office, industrial, R&D) lands to residential uses is a major policy issue because of its long-term impacts on jobs, City revenues, and City and regional economic development.

#### Applications Currently in Process

Three applications have received gatekeeper authorization to move forward with processing amendments to the General Plan and zoning for conversion of industrial land to residential uses. The following table lists the sites with information on area, zoning and proposed units (Attachment 2 provides a map showing the locations of these sites):

### Current Applications for Conversion

Project Site	Site Area	Current Zoning	Proposed Units
1. Mayfield Mall	22 acres (27 acres, including Palo Alto)	Mayfield Mall Precise Plan (Commercial/Industrial)	631 units
2. 505 East Evelyn Avenue	8.7 acres	Sylvan-Dale Precise Plan (ML – Light Industrial)	150 units
3. 300 Ferguson Avenue	5.7 acres	Whisman Station Precise Plan (ML – Light Industrial)	125 units
<b>TOTAL</b>	<b>36.4 acres</b>		<b>906 units</b>

Since these sites have already received gatekeeper approval, these applications will continue to be processed unless otherwise directed by the City Council. This does not presume the Council's ultimate decision regarding the appropriateness of the zoning change.

### History of Conversions

The City of Mountain View currently does not have criteria to evaluate conversion requests other than land use compatibility and General Plan policies that are considered for all land use changes. However, Mountain View has processed conversions of about 80 acres of industrial or commercial land to residential uses since the early 1990s at the following sites (see Attachment 3 for the locations of these sites):

### Sites Converted To Residential Use

Project Site	Area Converted to Residential Use	Zoning Before Conversion	Units Built to Date
1. The Crossings	16.5 acres	Retail	359 units
2. Whisman Station	45 acres	Industrial	549 units
3. Evelyn Avenue Corridor (downtown)	16.5 acres	Linear Commercial	67 units
<b>TOTAL</b>	<b>81.3 acres</b>		<b>986 units</b>

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These sites had the following characteristics favorable for residential use:

- The General Plan called for studying all three sites to include residential uses.
- The sites were either adjacent to existing residential areas.
- Supported policy objectives of creating higher-density residential communities in proximity to existing or planned transit.
- Were within walking distance of schools and supported a pedestrian-oriented community.

## **DISCUSSION**

### **New Interest in Conversion**

The downturn in the economic cycle has left vacancies in office and industrial buildings, locally and on a regional level. As a result, there is significant motivation to find new revenue streams for this real estate. At the same time, market demand for housing in California remains high, and in areas where vacant land is scarce, this means constant pressure to find more land to accommodate housing, including in the nonresidential areas. As a result, a number of cities in the Bay Area have received requests to convert industrial and commercial properties to residential uses.

At the height of the high-tech market boom in 1999-2000, the industrial vacancy rate was approximately 1 percent to 2 percent. As the pace of economic growth slowed throughout the region, Mountain View saw its industrial vacancy rate climb to nearly 30 percent in 2001-02. However, recent data shows that the industrial vacancy rate has decreased to about 18 percent to 20 percent, and there has been a resurgence in occupancy in the City's industrial buildings.

### **Industrial Land in Mountain View**

Mountain View is almost fully built-out with little vacant land left. The City has approximately 6,400 acres. Per the 1992 General Plan, industrial-zoned property consists of approximately 19 percent of the total land area (1,216 acres) in the City, whereas residential housing constitutes 43 percent (2,781 acres). While there have been

some changes to these numbers since 1992, they do not translate to a significant change in percentages. There are four major industrial areas in the City:

1. North Bayshore.
2. Whisman (Ellis Street/Middlefield Road).
3. Sylvan-Dale (Moorpark Way/Pioneer Avenue).
4. North Rengstorff (Leghorn Street/Rengstorff Avenue).

Property tax, sales tax and user tax from industrial areas are a very important component of the City's revenues.

### General Plan

#### **Goals and Policies**

The decision about whether to rezone land from industrial or commercial to residential is a major policy issue. General Plan goals, policies and actions that are relevant to the decision include:

1. Promote a variety of industrial districts that maintain a diversified economic base (Community Development Goal L).
2. Maintain strong and stable sources of City revenues while promoting an appropriate balance of land uses in the City (Community Development Goal M).
3. Promote the opportunity to both work and live in Mountain View (Community Development Goal P).
4. Coordinate the location, intensity and mix of land uses with transportation resources (Community Development Goal Q).
5. Encourage land uses that generate revenue to the City while maintaining a balance with other community needs, such as housing and open space (Policy 37).
6. Ensure that rezoning industrial and commercial areas or sites will not significantly hurt the City's economic base (Community Development Action 39.c).

An analysis of converting industrial or commercial land to residential uses would have to take these policies into consideration.

One of the policies in the City's 2002 Housing Element, Policy A.1, is to "ensure that adequate residential land is available to accommodate the new construction needed to meet ABAG's (Association of Bay Area Governments) Fair Share Housing Needs." ABAG determined the City's "fair share" for the period of January 1, 1999 to June 30, 2004, to be 3,423 units. In order to meet this requirement, the City's 2002 Housing Element identified the following seven sites for rezoning to residential use, which have the potential of providing about 940 additional units:

1. (b) Plymouth Street/Sierra Vista Avenue; and (b) Colony Street/Rengstorff Avenue – 13.7 acres
2. Wyandotte Street (east of Independence Avenue) – 8.85 acres
3. Ada Avenue/Minaret Avenue – 4.64 acres
4. Moorpark Way/Alice Way – 2 acres
5. Northwest corner of Moffett Boulevard/Middlefield Road – 6 acres
6. Moffett Shopping Center – 16.7 acres
7. Higher densities with older apartments – no specific sites

Taken together with units built and in the pipeline, and the development potential on existing residential sites, this would meet the City's "fair share" need. So far, there has not been significant support or interest in rezoning these sites for residential use. However, there had been a significant amount of residential development in areas that have already been zoned for residential use. Between January 1, 1999 and June 30, 2004, about 1,495 units have been built and approved. These numbers indicate that the City is making good progress in achieving its Housing Element goals without having to rezone large, new areas of industrial land to residential use.

#### Comparison to Cities in Santa Clara County

To better understand how other communities are addressing these impacts, staff surveyed six Santa Clara County cities: Cupertino, Los Altos, Palo Alto, San Jose, Santa Clara and Sunnyvale. Only Palo Alto allows for residential uses in its standard indus-

trial zoning districts. San Jose, Sunnyvale and Santa Clara have policies in place that guide City staff and the development community regarding conversion requests and have identified specific areas or properties that would be appropriate for residential uses. In addition, they have established criteria to evaluate proposed conversions of industrial property to residential uses. Of the cities surveyed over the past two years, San Jose, Sunnyvale and Mountain View have converted the most industrial property for residential purposes. Sunnyvale's and San Jose's conversions were properties identified in their studies as appropriate for residential. The majority of the communities surveyed do not support conversion of industrial property to residential beyond what they have already identified or without rating the conversion based upon established criteria.

## **ANALYSIS**

The economic health of Mountain View depends on the success of its businesses. Businesses in Mountain View range from commercial services, office uses and high-technology corporations to warehousing and small peripheral and startup industries. However, based upon current market demands, Mountain View may lose some of this diversity as vacant industrial space is redeveloped into residential uses. During the office boom in the late 1990s and early 2000, Mountain View was able to respond to the needs of several companies such as Microsoft, Netscape, Alza and Veritas, which located their headquarters in the City because of the availability of large tracts of underutilized, industrially zoned land. A number of these companies utilize chemicals and have operational needs that are not compatible with residential uses and specifically indicated a preference for locations, which did not have neighboring residential properties. Over the years, the City has also heard from companies that one of their challenges was not having adequate land to accommodate their expansion. Since Mountain View has had land to allow industrial development, it has been able to retain businesses that need space for expansion including, Veritas, Verisign, AOL/Netscape, Microsoft and Johnson and Johnson/ Alza. Most recent additions include Mercury Interactive, Actel Corporation, Boston Scientific Omni Cell and Drexler Technology.

In May 2004, the City Council adopted the Economic Development Strategy and Action Plan that provided an economic and market context for Mountain View. The report recognized that Mountain View's fiscal health is tied to the vitality of its business community. The Strategy indicated that even though the demand for industrial and office space will not increase for a minimum of five to seven years due to job reductions in the technology industry, the City needs to be in a position to attract emerging industries including bioscience and nanotechnology. Designating adequate land for these future opportunities is a key goal adopted by Council to diversify the City's revenue



and employment base. Biotechnology and nanotechnology industries have operational issues that make them incompatible with residential uses. Mountain View already has a number of biotech companies and the City's ability to attract and retain these industries could be impacted if residential uses are allowed to encroach into established industrial districts. Once industrial lands are converted to residential, they are permanently lost from the inventory and limit the ability for adjacent industrial properties to operate effectively. As the economic trends of the past have validated, it is extremely important that the City retain enough industrial land to encourage expansion and attract new industries to help meet employment and fiscal needs of the community.

### Options For Analysis

The following are several options for responding to requests for conversion of industrial/commercial sites to residential uses and the pros and cons of each. In weighing these options, workload impact is a factor. Over the past three years, the Planning Division has experienced reduced staffing levels as a result of budget reductions. In addition, workload has steadily increased, and staff is also processing a number of large private and City-initiated projects (see Attachment 4). It would be ideal to take a comprehensive look at the City's General Plan to assess these large scale conversions. However, the lack of staff resources and the length of time required for such a study may not allow a response to proposed conversions in a timely manner. Options 2 and 3 would provide the ability to balance allowing residential land use in appropriate infill locations while preserving adequate industrial and commercial land to respond to the City's future economic development needs.

**Option 1 – Continue to Accept Applications on a Case-by-Case Basis.** Currently, the City is using this option to process applications for conversions. The City could continue to accept applications and evaluate them on a case-by-case basis. Under this option, applications for conversions would require Council gatekeeper review to begin processing.

- *Pros* – Conversion requests can be processed as soon as they receive gatekeeper approval.
- *Cons* – An ad hoc approach to conversion of land will preclude a thorough analysis of the cumulative fiscal and economic impacts of these conversions. Also, individual applications would require fiscal analysis and a detailed discussion of suitability for residential uses. This could potentially increase time needed to review the application and add an element of uncertainty to the process. This option would

have the most long-term impact on workload since these issues would have to be considered on a project-by-project basis.

**Option 2 – Develop Criteria for Evaluating Conversions.** This would be a limited study and would involve an analysis of the City's revenues related to various land uses, a comparison of cities in Santa Clara County regarding the same issue and developing criteria for evaluating proposals for conversions. This study could identify specific areas in the City to be excluded from conversion. For example, key industrial and commercial areas and/or areas that are not within close proximity to transit or schools. Under this option, requests for conversion would be deferred until the study was completed.

- *Pros* – Developing criteria to evaluate conversions would ensure a consistent approach to assessing the merits of future applications. It would also provide greater certainty to property owners and developers of the City's policy toward the conversions and would likely result in faster processing of applications.
- *Cons* – This approach would delay processing of applications for conversions until the study was completed. This option would require staff resources but would reduce impact on workload for individual applications.

**Option 3 – Conduct a Comprehensive Study.** This study would require an amendment to the General Plan Land Use Element and include a broad analysis of the following issues. Under this option, requests for conversion would be deferred until the study was completed.

1. Examining the City's current supply of industrial and commercial land based on the type of industries that are allowed.
2. Studying projections of employment and population growth and demand for various types of uses to understand the imbalance specific to Mountain View.
3. Studying the City's revenue and cost related to land uses and the effect on the City's fiscal health.
4. Identifying areas in the study that could be appropriate for redevelopment and testing various development scenarios with respect to employment, housing and fiscal impacts.
5. Developing criteria to evaluate proposals for conversions.

- *Pros* – A more complete understanding of the fiscal impact of conversions may help the City make better-informed decisions that balance the need to provide housing while preserving economic opportunities critical to the City's future. This option would also provide greater certainty to property owners and developers of the City's policy toward the conversions and likely result in faster processing of applications. Additionally, if sites are identified for preservation as industrial/commercial use and/or available for rezoning to residential use, the issue of conversion would not require detailed analysis on a project-by-project basis.
- *Cons* – This approach would delay processing of applications for conversions until the study was completed. This option would require the most staff resources initially, but would reduce impact on workload considerably for individual applications.

The various options described above represent a range of possibilities and will have different impacts on timing and cost to the City. For example, Option 1 will not require additional time to implement or result in additional cost to the City but would have the most negative impact on long-term workload, while Option 2 will take about six to eight months and will require hiring a consultant. Option 3, which represents the most comprehensive analysis, will take about 12 to 18 months to complete, will require hiring a consultant and cost more than Option 2.

## CONCLUSION

Staff would like preliminary direction from the Council regarding:

1. How to respond to current inquiries about the conversion of land from industrial to residential use; and
2. Which option the Council would like to explore further to address the long-term issue of conversion of land from industrial to residential use.

Upon receiving direction from Council regarding the preferred option, staff will bring a draft work program and cost to the Council for review.

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- Attachments:
1. Sites That Have Received Inquiries for Conversion to Residential Use
  2. Sites Related to Applications Currently in Process
  3. Sites Converted to Residential Use
  4. Draft Planning Work Program – Fiscal Year 2004-05